



Silver City Food Co-op Annual Report 2020

Page 6 Message from the Board

Page 7 Message from the Manager

Page 8 Income Statements

Page 9 Balance Sheet

Page 10 Fun Facts

Page 11 More Fun Facts

Page 12 Looking Forward



Message from the Board of Directors

Dear Silver City Food Co-op Members-Owners,

A tradition at our yearly General Membership Meeting is a look back over the challenges and triumphs of the previous year. While the General Membership Meeting has been delayed until later this year, the Annual Report is being provided to the membership now.

What a Year---2020!

At the end of 2019 and beginning of 2020, the SCFC Board conducted a successful national search for a General Manager by creating a search committee composed of Board Directors, general membership, and staff representatives. Our General Manager, Kevin Waters, arrived just in time. He had just moved to Silver City and started with us when Covid hit; a unique challenge without precedent. With his steady guidance, and the extraordinary efforts of our loyal staff, we not only survived, but thrived during that wild year.

Our Co-op staff has worked hard and courageously to maintain operations during the pandemic. When merely being out in public was considered dangerous, our staff provided essential services every time they came to work in our grocery store. They kept our store clean, safe, and well-stocked. We all took precautions, and as a result, the Co-op remained as safe as possible during a global pandemic. Because of this devotion and hard work, we have remained strong. Our sales in 2020 were record-breaking. Our Co-op continues to be sustainable and secure and is thriving like never before. We see a bright future for our forthcoming relocation and expansion. Our General Manager's excellent leadership, our conscientious and capable staff, an engaged Board of Directors, and our loyal membership worked together to weather the storm, and to make our successful future possible.

Our Board of Directors worked as an effective team this year as we strived to make the board, in its role of oversight, align with best practices in co-operative governance. These new policies and revised bylaws updated and streamlined board practices, successfully restoring basic Policy Governance. Policy Governance is the framework that authorizes the elected Board to hire a general manager, monitor store

operations through the use of key performance indicators, and set strategic, long-range goals for our Cooperative. It supplies a tested, understandable, and workable structure to maintain consistency and stability over time. Over the past year, the Board has also continued to oversee the plans for the store's expansion, evaluated business plans and has seen progress toward financing the new construction. The Board has completed its due diligence and fiduciary responsibility for this phase, and we are confident in the viability of the expansion and move to Pope Street.

The SCFC Board is represented by a unique group of dedicated individuals with a wide range of experience, who represent our communities' values. Policy Governance is an effective tool; however, it requires involved directors to practice it. Like many of you, the Board has not been able to meet in person since March 2020. We have conducted our business remotely via video conferences, email, and phone calls. This has indeed been a challenging year and we look forward to the very real possibility that we will be able to hold our annual General Membership Meeting late this summer in person.

The success of our Cooperative depends upon a committed membership, dedicated and competent staff, and engaged volunteers, and this year has proven that we have accomplished exactly that.

With deep gratitude to Kevin, the crew, and our members, the Co-op Board proudly presents to you our annual report.

Sincerely,

Silver City Food Co-op Board of Directors

Shanti Ceane, President

Julianna Flynn, Vice President

Scott Zager, Treasurer

Emma McKinley, Secretary

Kristin Lundgren, Member

Tuan Tran, Member

Susan Golightly, Member

Message from the Manager



Seriously? As I prepare to take a look back at the year that was 2020, masks are coming off, streets are filling back up with people, live in person events are being scheduled. Not identical, but similar to my first month on the job. Did the intervening 11 months really happen? Was it all a dream? Unfortunately, no, there will be no waking up and having a do over on 2020. Some of it may have had me waking up screaming with night sweats, however, there was also stuff that dreams are made of in 2020. Events may have tested us, but these trials have made the Co-op stronger, more resilient, and more prepared for the future.

To start with, WE KEPT THE CO-OP SAFE. While it isn't over, at this point any employee or shopper that wanted one has had access to a vaccine. That was the goal. WE MADE IT! It didn't happen by accident. The Co-op was exceptional as a leader in the community for safety and response to the virus. Our rapid roll out of safety precautions, including capacity limits, sanitation protocols, physical barriers, masking, and staff wellness protocols was ahead of the curve, and a preview for what you would see elsewhere. Though not done quite as well as the Co-op! The feedback from members and other shoppers was overwhelmingly positive, calling the Co-op an "oasis". I will never forget last summer, an infectious disease doctor travelling through multiple states at the time, stopped at the Co-op. They stated we had the best set up and follow through they had seen in retail on their travels. The physical safety precautions became routine, but the employee wellness protocols were part of what made 2020 a special kind of challenge. We were highly attentive and focused in making sure that employees with risk factors such as symptoms or potential exposure were managed in a way that kept the entire Co-op organization safe. Maintaining health privacy meant anxiety and angst for some employees, who preferred to know the details of every personal situation, or absence from the schedule. Maintaining strict privacy protocols unfortunately resulted in continuous gossip, rumor, and innuendo, that even spilled out into the public. False rumors of employees travelling to COVID hot spots, positive tests, ill co-habitants, would result in angst and stress careening throughout the store on a weekly basis. While I won't miss that, it did help me learn about systemic opportunities in the Co-op for positive, direct communication, and how that will be a focus for future growth. Add to that the operational challenges of multiple employees being rapidly taken off the schedule due to safety protocols, week in and week out. Bottom line, not one Co-op employee was ever in the store in a COVID positive state. Period. The Co-op reported one employee to the New Mexico Rapid Response Team with a positive diagnosis. However due to our intent focus on keeping the group safe, that solitary employee never set foot in the Co-op in a positive state. At one point early on, an employee petition was circulated, attempting to close the Co-op, and make it curbside pick up only. Cooler heads prevailed, and we kept the doors open. An intense focus on safety allowed us to keep the community fed with clean, organic food during a time when it was more important than ever. Co-ops that did attempt to completely change their model to curbside/delivery were crushed financially, and either temporarily shut down, or re-opened as a retail storefront within a month. The time in between was devastating financially. Credit goes to our employees and customers for being diligent in maintaining that safe environment. There were some hiccups along the way, but really everyone was on board for safety.

We also weathered the supply chain crisis that hit acutely in April 2020, and maintains still to this day. During the panic days, there was a week or two when we literally got nothing delivered. While it is getting better gradually, it is a year in, and we are still nowhere close to normal out of stock levels from our largest distributor. Our staff have managed to adapt and provide the most capacity, and variety that they can in a hugely challenging environment. This is an area that is painful to experience, but certainly has adaptation, growth and resiliency as key attributes for those that are doing their best to thrive.

With so much disruption, the Co-op hunkered down and focused on the core responsibilities of keeping people fed. Our member discount percentage skyrocketed to almost 3%. This is compared to Co-ops as a whole, where the member discount average is 0.7%. However many of these Co-ops practice an approach that results in regular profit results, with patronages refunds. Volunteer hours were dramatically reduced, Marketing and Outreach was minimized, and board meetings went online. For a new General Manager, not an ideal environment to start in by any stretch, but those are areas we can now look to expand.

Coming in as a new manager, a pandemic environment is also a challenging one for employees. The Office for National Statistics reported that through lockdown there was a marked increase in employees feeling anxious, with the proportion of employees self-diagnosing with depression doubling. That being said, we still managed to conduct an employee survey that will be used to improve processes and approaches for management and employees. We also distributed over \$30,000 in employee "resiliency payouts" in 2020, somewhat less than \$1000 per employee average. Pretty cool, considering Target managed to give their employees \$500 bonuses in 2020, and they have nearly 2,000 stores! That \$30,000 figure is also more than double the entire Co-op's Net Operating Profit in 2019.

While COVID is the lens through which we must view 2020, to get the full 1950s 3 D experience, we have to look through the blue lens and not just the red one. The Co-op had by far its most successful year financially. The nature of societal lockdown flipped the grocery industry on its head, and nationwide in Co-ops, average basket size went through the roof, and customer count went through the floor. Our Co-op was no different. How did this play out in our Co-op overall? We turned in a 10% sales increase for the year. By maintaining a sensible approach to cost management, the Co-op turned in a net operating profit of 3.0% or 125k. Due to the uncertainty of the pandemic conditions, in April 2020 the Co-op applied for a PPP loan, with the expectation we would use it if needed, if not pay it back. The idea of loan forgiveness was also a possibility, and in the end, that is what happened. In December, we added another 181k to our bottom line. For a Co-op that is looking to relocate and expand, this could not have come at a better time. This is why I love to work at a Co-op. The work, and growth and improvements we make always flow back to the members, employees or the organization itself. Our strong year this year is the catalyst for a future Co-op that will be an improvement for members, employees and Silver City.

Kevin Waters
General Manager



The Co-op by the Numbers

Income Statements

Bullard St. Facility

	2019	2020
NET SALES	3,796,736	4,200,503
COST OF SALES	(2,408,763)	(2,668,638)
GROSS PROFIT	1,387,973	1,531,865
OPERATING EXPENSES	(1,351,820)	(1,394,335)
INCOME (LOSS) FROM OPERATIONS	36,153	137,529
OTHER INCOME		
Other expenses, net	14,488	202,210
Interest expense	(58)	0
Interest income	0	0
Patronage dividend income	0	0
Loss on disposition of property & equipment	0	0
Micellaneous income	0	0
OTHER INCOME, NET	14,430	202,210
INCOME (LOSS) BEFORE INCOME TAXES	50,583	339,739
INCOME TAX EXPENSE	5,465	22,814
NET INCOME (LOSS)	45,118	316,925

Company Total

	2019	2020
NET SALES	3,796,736	4,200,503
COST OF SALES	(2,408,763)	(2,668,638)
GROSS PROFIT	1,387,973	1,531,865
OPERATING EXPENSES	(1,368,581)	(1,410,150)
INCOME (LOSS) FROM OPERATIONS	19,392	121,715
OTHER INCOME		
Other expenses, net	(427)	(48)
Interest expense	(14,678)	(14,410)
Interest income	232	131
Patronage dividend income	6,150	11,850
Loss on disposition of property & equipment	(1,869)	-
Micellaneous income	9,105	196,276
OTHER INCOME, NET	(1,487)	193,799
INCOME (LOSS) BEFORE INCOME TAXES	17,905	315,514
INCOME TAX EXPENSE	(4,603)	(18,529)
NET INCOME (LOSS)	13,302	296,985

The People behind the Numbers

Our Co-op has turned in a remarkable year financially,
and none of it is possible without the efforts of our amazing staff.
For some, they have been contributing to the Co-op for many years!
Thanks to all SCFC employees.

Judith 20 years
Dougan 16 years
Kate 15 years
Jake 15 years
Carol 13 years
Becky 13 years
Doug 12 years
Jess 11 years

Misha 10 years
Marguerite 8 years
Kim 8 years
Tinisha 6 years
Marchelle 6 years
Mike M. 6 years
Joy 5 years

Judy 4 years
Christine 4 years
Clorissa 2 years
Eric 2 years
Tuan 2 years
Vynce 1 year
Carolyn 1 year

Lauren 10 months
Willem 10 months
Kassandra 10 months
Andrea 6 months
Eva 3 months
Isabella 1 month
Elizabeth 1 month



Balance Sheet

Balance Sheet Equation is $\text{Assets} = \text{Liabilities} + \text{Equity}$

•**Assets:** These are things that the company owns, such as buildings, furniture, machinery, inventory, and cash in the bank. On a balance sheet, assets are usually listed in order of liquidity—that is, how quickly they can be converted to cash. Assets in excess of liabilities is generally a good sign in a company because it indicates growth.

•**Liabilities:** This represents what a firm owes, including outstanding loans, accrued wages owed, and bills payable to suppliers and other vendors. Liabilities are generally ordered by their due date on the balance sheet. Liabilities in excess of assets give cause to more closely examine a firm's capacity to repay its debts.

•**Equity:** This represents the amount of equity the owner or owners have in the company, which amounts to the net worth of a firm after it sells off its assets and pays all its liabilities. It's often labeled as shareholders' or stockholders' equity.



Assets

Current Assets:

Cash
Accounts Receivable
Inventory
Prepaid expenses
and other current assets

TOTAL CURRENT ASSETS

Property and Equipment:

Land
Construction in progress
Building & improvements
Furniture & equipment
Software

Accumulated depreciation

NET PROPERTY & EQUIPMENT

Other Assets:

Investment in cooperatives
Deposits with other cooperatives

TOTAL OTHER ASSETS

TOTAL ASSETS

Liabilities & Members' Equity

Current Liabilities:

Accounts payable
Accrued payroll and related items
Deferred revenue
Federal income taxes payable
State income taxes payable
Accrued liabilities
Note payable, current portion

TOTAL CURRENT LIABILITIES

Long-Term Liabilities:

Note payable, net of current portion

TOTAL LONG-TERM LIABILITIES

Members' Equity:

TOTAL LIABILITIES AND MEMBERS' EQUITY

2019

2020

218,030

3,523

237,631

20,780

479,964

183,264

21,022

780,688

245,615

4,365

1,234,954

(707,254)

527,700

65,263

14,623

79,886

1,087,550

564,080

1,427

218,592

28,478

812,577

183,264

49,089

780,688

257,261

4,365

1,274,667

(745,715)

528,952

69,229

11,599

80,828

1,422,357

148,093

55,399

12,383

712

1,071

4,341

6,631

228,630

210,778

210,778

648,142

1,087,550

147,121

60,349

13,001

5,278

1,261

3,994

4,140

235,144

206,678

206,678

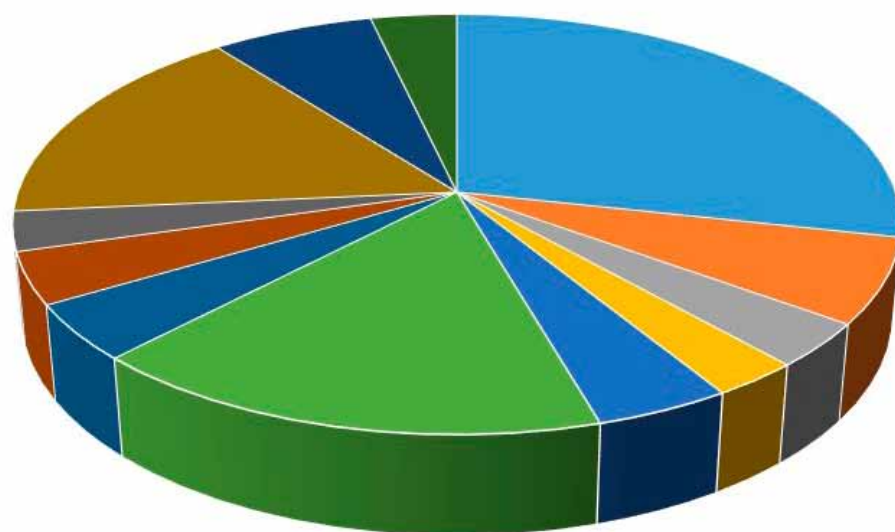
980,535

1,422,357



Co-op Fun Facts • 2020

Silver City Co-op Sales by Department • 2020



Grocery Supplements Meat Deli
Refridge Produce Frozen Cheese
Bread Bulk Dairy HABA

81%
Sales to
Member/Owners

Gift Card Sales

2016 = \$60,381
2017 = \$61,791
2018 = \$51,846
2019 = \$53,540
2020 = \$55,634

EBT Sales

2016 = \$218,262
2017 = \$190,982
2018 = \$180,657
2019 = \$192,523
2020 = \$317,391

Bulk Container Reward

10,088 transactions
\$504.40

Lbs. of
Bulk Rolled Oats Sold
4,500 lbs.

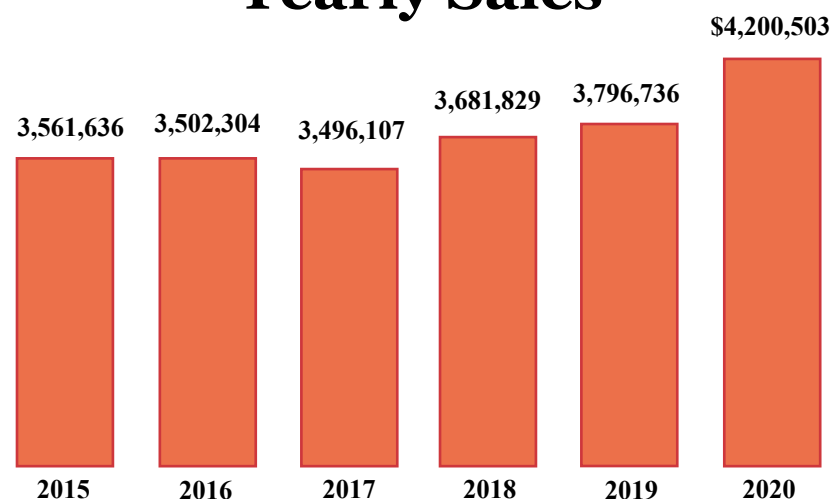
Lbs. of
Bananas
Sold

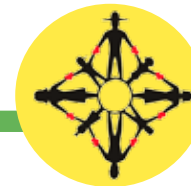
24,318 lbs.

Sales of
Local Products

\$365,834

Yearly Sales





Top Selling Item by Department • 2020

Produce

Bananas \$23,434

Grocery

C₂0 Coconut Water \$6,294

Bulk

Almond Butter \$17,860

Frozen

Cascadian Blueberries \$5,797

Dairy

Farmer's Eggs Cage Free \$17,238

Refrigerated

Thousand Hills Grass Fed \$8,858

Bread

Alvarado Sprouted Multi \$12,863

Supplements

Barlean's CBD Hemp Oil \$3,646

HABA

My Skin Bar Soap \$4,190

Meat

Mary's Chicken Breasts \$8,395

Cheese

Organic Valley Sharp Cheddar \$5,457

General Merch

We Moon Calendar \$1,776



**Co-op Staff Bonuses
2020**

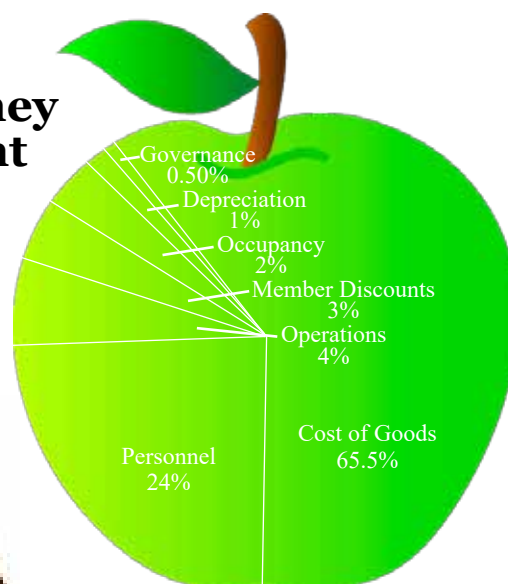
\$27,566



**Full-Year
Net-Operating Profit
2019**

\$13,302

How Our Money Was Spent



Pounds of

**Local Carrots Sold
2,254 lbs.**

Coupons Scanned

2016 = 7,387
2017 = 5,849
2018 = 5,431
2019 = 4,208
2020 = 4,597

Round Up 2020

January	Gila/Mimbres Community Radio	\$1502.00
February	The Bike Works	1203.22
March	Literacy Link	1061.44
April	Silver City Farmers' Market	919.43
May	SNAP Spay/Neuter Awareness Program	1026.00
June	Mimbres Regional Arts Council	994.00
July	Quetzalcoatl	790.00
August	Mimbres Valley Health Action League	683.00
September	Lotus Center	849.30
October	Avocates for Snake Preservation	894.00
November	Southwest Adolescent Group	901.78
December	SC Community Theater	995.00

Five Biggest Spenders • 2020

Member #1	\$17,495.00
Member #2	\$16,182.00
Member #3	\$16,053.00
Member #4	\$15,243.00
Member #5	\$14,710.00



Eureka! We Fund It!!

New Mexico Finance Authority Approves Funding for Co-op Move to Pope Street

With great elation and expectation, I am proud to announce to the Silver City Co-op members that the new store project has been approved for funding by the New Mexico Finance Authority. As most of you know by now, a year ago, we took a fresh look and approach to the proposal of building out the former Lifequest Building at College and Pope streets. Updated forecasts, planning, designs, and proposals were considered by management and the board. The new direction was approved by the board, and the proposal has been reviewed with various financial institutions. The opportunity to partner with the New Mexico Finance Authority will be beneficial for the Co-op.

The New Mexico Finance Authority (NMFA) was created by the New Mexico Legislature in 1992 to finance infrastructure projects for the state's counties, cities, and certain departments of state government. The objective was to provide low-cost financing for borrowers, particularly those in disadvantaged communities, who might not otherwise be able to access the tax-exempt bond market on a cost-effective basis.

NMFA has become a reliable source of financing for a broad range of projects and offers different financing programs for communities and businesses to improve the quality of life in New Mexico. With a mission-driven philosophy, low interest rates, and no loan fees, NMFA helps its clients successfully

finance the projects that make their communities stronger, safer, and more prosperous. NMFA believes in and follows its mission of "Advancing New Mexico by financing impactful, well-planned projects" and its vision to be "New Mexico's partner in building economic prosperity and stronger communities."

The NMFA finance vehicle that made sense for our size project was their New Market Tax Credit/Small Loan Pool. The Pope Street project was submitted for approval by the private lending committee, the economic development committee, and the NMFA Board of Directors, made up of New Mexico state government officials. Our project needed to meet the dual requirements of economic viability and benefit to the community. We have cleared all of the hurdles and were approved for funding on 4/29.

This is a day to celebrate, and a day when a lot of work begins. I believe the result will be a store that will ensure the long term viability of the Co-op, and continue the legacy of clean, organic, local, and sustainable food for the community. I also envision the new space as a hub that will deepen the level of diversity and inclusion within and around the Co-op, and provide the basis for increased outreach and education. These will be the follow-on benefits from the creation of a fabulous place for our members/owners to shop.

*by Kevin Waters
General Manager
May, 2020*